

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
NOVEMBER 10, 1994, 9:00 AM EST

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, November 10, 1994. Members present were Messrs. W. Paul Wolf, Vice Chairman, presiding, Tony Zaleski, R. Douglas Grant, Norman Lowery, and Ms. Dee Godme. Also present from the Department were Charles W. Phillips, Director; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; Randall L. Rowe, Bank Supervisor; James M. Cooper, Deputy Director, Depository Institutions; J. Philip Goddard, Deputy Director, Mark B. Tarpey, Non-Depository Institutions; Mark K. Powell, Supervisor, Credit Unions; and Janice L. Davis, Administrative Assistant. Messrs. Hasten and Leitch were absent.

I. EXECUTIVE SESSION

- A.) A review of the examination information on Gateway Bank, LaGrange, LaGrange County, Indiana.
- B.) A review of the examination report and related information and findings of William D. Johnson d/b/a Auto Title Loans of Elwood, Indiana.

This information is confidential as provided in IC 28-1-2-30. This aspect of the Executive Session is authorized by IC 5-14-1-5.6(a)(6).

II. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: December 8, 1994, at **9:00 a.m.** EST.
- C.) Approval of the minutes of the meeting held October 13, 1994. A motion for approval of the minutes was made by Mr. Zaleski and seconded by Mrs. Godme. The minutes were unanimously approved.

DIVISION OF BANKS AND TRUST COMPANIES

- A.) First of America Bank-Indiana, Indianapolis, Marion County, Indiana
Mr. Eric D. Roberts, Senior Bank Analyst, presented the application to the Members. First of America Bank-Indiana (FOA-Indiana) applied to the Members of the Department for approval of a merger with the First of America Bank-Northwest Indiana, NA, LaPorte, LaPorte County, Indiana (FOA-Northwest) pursuant to IC 28-1-7. FOA-Indiana and FOA-Northwest are wholly-owned subsidiaries of First of America Bank Corporation-Indiana, Indianapolis, Indiana (FABC-Indiana), which is a wholly-owned subsidiary of First of America Bank Corporation (First of America), Kalamazoo, Michigan. All issued and outstanding shares of the resulting bank, which will total 107,807 shares of \$100.00 par value common stock, will be owned by FABC-Indiana. On a proforma basis, as of June 30, 1994, the resulting bank has total assets of \$1,473,853M, total deposits of \$1,231,686M, and total equity capital of \$93,559M. Mr. Roberts pointed out that the resulting bank will have an adequate Tier 1 leverage capital ratio of 6.20%. It was recommended by Department staff that this application be approved. A motion was made for approval by Mr. Grant and seconded by Mr. Zaleski. The merger was approved. W. Paul Wolf abstained from any discussion or vote on this item.

B.) Harrison County Bank, Palmyra, Harrison County, Indiana

The application for a Plan of Exchange pursuant to IC 28-1-7.5-6 was filed with the Department on November 2, 1994, and was presented to the Members by Mr. Eric D. Roberts, Senior Bank Analyst. The Plan provides for an exchange of stock between the Harrison County Bank and HCB Bancorp, which will serve as a one-bank holding company. The plan provides for the exchange of one share of Harrison County Bank common stock for one share of HCB Bancorp common stock. The applicant has requested a public hearing on the fairness of the terms of the Plan of Exchange as provided for in IC 28-1-7.5-5. The staff proposes that the hearing be scheduled for Friday, December 16, 1994, at 2:00 P.M. E.S.T., and held at the Harrison County Bank, 710 Main Street, N.E., Palmyra, Harrison County, Indiana. It was proposed that the Members of the Department authorize either Charles W. Phillips, Director, or James M. Cooper, Deputy Director, to conduct the public hearing. If the hearing date is acceptable to the Members, notice of the public hearing will be published in a newspaper of general circulation in Harrison County, no later than December 6, 1994. Notice of the hearing shall be mailed to all shareholders.

A motion for approval of the hearing was made by Mr. Grant and seconded by Mr. Lowery. The Members unanimously authorized either Director Phillips or Deputy Director Cooper to conduct the public hearing on December 16, 1994, at the bank.

DIVISION OF CONSUMER CREDIT

- A.) A request was submitted for approval of a Guaranteed Auto Protection (GAP) program by Bruce Petro Oldsmobile, Buick, Pontiac, etc. of Warsaw, Indiana, and was presented by Mark B. Tarpey, Consumer Credit Division. This item is provided for under IC 24-4.5-2-202(1)(c). A representative of the dealership was present to answer questions and concerns of the Members. Following the discussion, Mrs. Godme made a motion to disapprove the application and was seconded by Mr. Zaleski. Mr. Grant abstained from any discussion or vote on this item. It was suggested by the Members that the application be resubmitted when more information is submitted and adjustments can be made to the GAP program by the dealership.

DIRECTOR'S COMMENTS AND REQUESTS

- A.) The Director advised the Members of actions taken pursuant to delegated authority which were as follows:

DIVISION OF BANKS AND TRUST COMPANIES

1) THE GERMAN AMERICAN BANK, JASPER, DUBOIS COUNTY, INDIANA

An application was filed on behalf of The German American Bank, Jasper, Dubois County, Indiana, for permission to establish a branch banking office at 426 Fourth Street, Huntingburg, Dubois County, Indiana. The branch will be called "German American Bank Fourth Street Branch." This will be the bank's eighth branch. The request was approved under Delegated Authority by the Director on October 19, 1994.

2) FIRST BANK OF BERNE, BERNE, ADAMS COUNTY, INDIANA

An application was filed by First Bank of Berne, Berne, Adams County, Indiana, for permission to establish a branch de novo to be called "First Bank of Berne Decatur Branch." The proposed branch will be located at 1111 South 13th street, Decatur, Adams County, Indiana. This will be the bank's second branch. The request was approved under Delegated Authority by the Director on October 19, 1994.

3) FIFTH THIRD BANK OF CENTRAL INDIANA, INDIANAPOLIS, MARION COUNTY, INDIANA

The bank applied to the Department for approval to establish a branch de novo to be called "Rockville Road Bank Mart." The proposed branch will be located at 8150 Rockville Road,

Indianapolis, Marion County, Indiana, inside a Kroger Grocery Store. This will be the bank's nineteenth branch. The request was approved under Delegated Authority by the Director on October 25, 1994.

DIVISION OF CREDIT UNIONS

1) **HUNTINGTON COUNTY FARM BUREAU CREDIT UNION, HUNTINGTON, HUNTINGTON COUNTY, INDIANA**

A request was made for approval of a Proposed Amendment to the Articles of Incorporation. The amendment would place the following organization into the field of membership of the credit union:

Dr. David S. Dyer/Dr. P. Scott Johnson - Huntington - 7 members

The request was approved under Delegated Authority by the Director on October 19, 1994.

DIVISION OF CONSUMER CREDIT

- 1) A request was submitted for a consumer loan license by Associates Financial Services Company of Delaware, Inc. This is a subsidiary of Associates Corporation of North America. They have a loan license with this Department under Associates Financial Services of Indiana, Inc. They are applying for this license for possible second mortgage loans on loans/sales that they have purchased from other companies. They would rewrite these loans under this entity. They would use local attorneys and title companies to close these loans. It is recommended that the license be approved. The request was approved under Delegated Authority by the Director on October 11, 1994.
- 2) A request was submitted for a pawnbroker license by E. Wayne Hancock d/b/a Bedford Pawn. Applicant is currently doing business as a jeweler in Bedford. No objections were offered by local law enforcement. The applicant has met all of the requirements of the statute. It is recommended that the license be approved. The request was approved under Delegated Authority by the Director on October 11, 1994.
- 3) A request was submitted for four pawnbroking licenses by EZ Pawn Indiana, Inc. d/b/a EZ Pawn #10(Indianapolis); EZ Pawn-Anderson; EZ Pawn-Marion; EZ Pawn-Muncie. EZ Pawn Indiana, Inc. is an operating subsidiary of EZ Corp., Inc. a holding company which currently owns and operates over 225 pawnshops in nine states. EZ Corp is publicly traded on the NASDAQ exchange and has \$120 million in equity. The company has successfully concluded three public stock offerings and has access to a \$40 million line of credit. No objections were offered by local law enforcement. It is recommended that the licenses be approved. The request was approved under Delegated Authority by the Director on October 11, 1994.
- 4) A request was submitted for approval of a Guaranteed Auto Protection (GAP) program by Liberty National Bank & Trust based in Louisville, Kentucky. The program offered to Indiana auto dealers is known as Balance Protection Program (BPP). It is providing the same kind of protection as is offered on a standard GAP product. The customer's deductible is not included. The bank will add a thirty (30) day "free-look" period on all future printings. There is no rebate upon prepayment. The cost is \$275 with no adjustment up or down by the dealer. The bank has purchased 760 dealer contracts since August 1991 that have this product. They have agreed to notify all customers who have not experienced a claim against the program. The notification will advise customers that they may cancel and receive a credit to their account. The Department has agreed to this remedy while advising the bank that this would not absolve them of any possible civil liability. It is recommended that the program be approved as submitted and subject to the above conditions as provided for under IC 24-4.5-2-202(1)(c) & 3-202(1)(e). The request was approved under Delegated Authority by the Director on October 11, 1994.

- 5) A request was submitted for approval of a Collateral Protection Program (CPP) to be offered by Liberty National Bank at their Indiana bank branches. CPP will be offered to direct loan customers who secure their loan with a mortgage and an automobile or two automobiles. The key requirement will be use of an automobile as collateral. Coverage will not be limited to purchase money loans. The primary difference between CPP and BPP is that BPP will pay the customer's balance in full. Payment under CPP will be 110% of the retail value of the car. Unlike BPP, it will include the customer's deductible up to \$500. Because there is other collateral on the loan, the loan balance will usually be greater than the covered loss. The CPP amount will be credited to the balance of the loan.

The cost is the same as the BPP of \$275 for one car. If there are two cars, the cost will be \$450. There will be no rebate upon prepayment. A thirty (30) day "free-look" period will be added to the agreement. The bank has not begun offering the program pending approval by the Department. It is recommended that the program be approved as provided for under IC 24-4.5-3-202(1)(e). The request was approved under Delegated Authority by the Director on October 11, 1994.

- 6) A request was submitted by Marathon Oil Company for approval of a voluntary annual membership fee as provided under for under IC 24-4.5-2-202(1)(c). It is recommended that the program be approved as submitted. The request was approved under Delegated Authority by the Director on October 11, 1994.
- 7) A request was submitted for a consumer loan license by McGuire Mortgage Company of Prairie Village, Kansas. They plan on making second mortgage loans in Indiana using local attorneys and title companies to close the loans. They will not have a location in Indiana. All references are in order. It is recommended that the license be approved. The request was approved under Delegated Authority by the Director on October 27, 1994.
- 8) A request was submitted for a consumer loan license by Landmark Acceptance Corporation of Elkhart. The principals involved in this corporation are currently operating a separate entity that has a loan license with this Department (Heritage Acceptance). They are obtaining this license for possible direct lending to customers who have purchased automobiles from dealers who will assign retail contracts to Landmark. It is recommended that the license be issued. The request was approved under Delegated Authority by the Director on October 27, 1994.
- 9) A request was submitted for a consumer loan license by Irwin Home Equity Corporation d/b/a Irwin Home Equity of Columbus, Indiana. The principals involved are part of Irwin Financial Corporation. They are setting up this separate entity to make second mortgage loans to customers of their Inland Mortgage subsidiary. It is recommended that the license be approved. The request was approved under Delegated Authority by the Director on October 27, 1994.
- 10) Request for approval of a Guaranteed Auto Protection (GAP) program by National City Bank of Louisville, Kentucky. This is offered by Indiana auto dealers who assign contracts to National City. The product is providing the same kind of protection as is offered on standard GAP agreements that have been approved by this Department. It will include the customer's deductible up to \$1000. There will be no rebate to the customer upon prepayment. There will be a thirty (30) day "free-look" period. The charge would be \$225 with no adjustment up or down by the dealer. The bank has purchased 148 dealer contracts since December of 1992 that have this product. They have agreed to notify all customers who have not experienced a claim against the program. The notification will advise customers that they may cancel and receive a credit to their account. If the account is paid-off, a refund will be sent to the customer. It is recommended that the program be approved as submitted and subject to the above conditions as provided for under IC 24-4.5-2-202(1)(c). The request was approved under Delegated Authority by the Director on October 27, 1994.

CERTIFICATION

The Department certifies that the business discussed in the Executive Session was limited only to business which was set out in the Department's Notice of Meeting and Agenda under the heading Executive Session.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

W. Paul Wolf, Vice Chairman

J. Philip Goddard, Secretary